



Report to the Auburn City Council

Action Item
Agenda Item No. **15**

City Manager Approval

To: Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works *hcs*
 Andy Heath, Director of Administrative Services
Date: April 8, 2013
Subject: Regional Sewer Update & Consideration of Fiscal Year 2013/14 Sewer Service Charges Adjustment

The Issue

Shall the City Council implement a cost of living adjustment to the sewer service charges for Fiscal Year 2013/14?

Conclusion and Recommendation

Staff recommends, BY MOTION, the Council

- 1) Direct staff to notice sewer rate payers of the consumer price index adjustment on the upcoming parcel tax report of the Fiscal Year 2013/14 Sewer Service Charges.
- 2) Provide direction to staff on the Regional Sewer Project.

Background

Fiscal Year 2013/14 Sewer Service

On June 25, 2007, the City Council approved a monthly sewer service charge schedule for a six year time period. The schedule was amended in 2010 to keep the sewer service rates unchanged for fiscal year 2010/11. The approved amended sewer service charges are shown below:

Monthly Sewer Service Charges

Fiscal Year 2007/08: \$52.50 per Sewer Unit
 Fiscal Year 2008/09: \$54.25 per Sewer Unit
 Fiscal Year 2009/10: \$56.25 per Sewer Unit
 Fiscal Year 2010/11: \$56.25 per Sewer Unit
 Fiscal Year 2011/12: \$58.25 per Sewer Unit
 Subsequent Years: \$60.50 per Sewer Unit

The final implementation of the approved rate schedule occurred in the Fiscal Year 2012/13 and future rate increases may be implemented at the City Council's discretion, but the rates may only increase by an amount not to exceed the change in the San Francisco Bay Area Consumer Price Index (CPI) for all urban consumers, as published by the US Department of Labor (but not more than 5% per year) without giving additional notice pursuant to Article XIID, Section 6(B)(2) of the California Constitution. Any increase beyond the 2013/14 CPI, will require a rate study and a Proposition 218 hearing.

Staff is recommending that the City Council set a Public Hearing to adjust the sewer rate for Fiscal Year 2013/14 by the CPI and place the sewer charges on the Placer County Tax Roll at the June 24, 2013 City Council meeting. The final CPI adjustment will occur at the June 2013 meeting as staff is waiting on the April data from the US Department of Labor to determine the CPI adjustment. Staff is estimating the adjustment will be between 1.2% - 2.5% adjustment to the sewer rate, which equates to a \$0.73 to \$1.51 increase to the monthly sewer rates.

Depending on the final rate adjustment, the increase represents approximately \$58,000 to \$121,000 in additional revenues annually.

Additional Information:

Each year, the City is required to conduct a Public Hearing and adopt a resolution authorizing the collection of the City of Auburn Sewer Service Use Charges to be placed on the County of Placer Tax Roll. Due to noticing requirements for the public hearing, staff needs to prepare the annual Fiscal Year 2013/14 Sewer Service Use Charge Report by the beginning of June to ensure placement of the City of Auburn Sewer Service Use Charges on the County of Placer Tax Roll.

Regional Sewer

At the March 12, 2013 Placer County Board of Supervisors meeting, the Board of Supervisors considered the City of Auburn Regional Sewer Deal Points that were approved by the City Council on February 25, 2013 City Council meeting. The Board of Supervisors declined the Deal Points offered by the City of Auburn (see attached Exhibit A). The Board of Supervisors letter to the Mayor states that the County wants to provide the opportunity for Auburn to participate in oversizing the common section of pipeline. To date, the City of Lincoln has not officially responded to Auburn's February 25, 2013 Deal Points.

The Regional Sewer Project is scheduled to be advertised and bid in June 2013 and awarded around September 2013. Staff's current understanding was that the pipeline portion of the bid process would require bidders to submit pricing on a pipe size with Auburn included and one without Auburn included. While treatment facilities can be expanded incrementally, pipelines are generally sized and constructed to convey ultimate flows.

The common section of pipeline is approximately 4 miles long and extends along parts of Highway 193 and Virginia Town Road. The estimated cost of the upsizing of the common section of pipeline is estimated at \$2.8 million. Based on general discussions with County Staff, the City needs to have an agreement with Placer County describing costs and capacity reserved for the common pipeline approved prior to July 2013. The City would likely reimburse the County for the pipe upsizing, who, in turn, would fund Lincoln's construction of the pipeline.

If the City were to continue the pursuit of the Regional Project by purchasing capacity in the common pipe there will ultimately be additional costs down the road in order for Auburn to fully participate in the regional project. The design and environmental work for Auburn's pump station and pipe line from the existing plant to the common pipeline, the construction of that subject pipe, the upgrade to the City of Lincoln Plant necessary to treat the additional flow and the buy in costs to the Lincoln infrastructure and treatment facility. All of these costs are unknown and will likely be in the range of what has currently been estimated at \$35 million or more.

The ability to purchase capacity in the common section of pipeline and construct the oxidation ditch without raising rates is not in the current rate model. Hence, if the Council chooses to pursue purchasing capacity in the common section of pipeline there will be a need to begin Proposition 218 hearing process to increase rates.

On-Site Upgrades

The next major capital project for the City's Wastewater Treatment Plant would be an Oxidation Ditch which is estimated at \$4.8 million. This is the last major process that has not been rehabilitated or replaced from the original plant. Financing the onsite upgrades have been contemplated in the City's current rate model and recommended CPI rate adjustments. Rate increases beyond the CPI in order to construct the Oxidation Ditch are not anticipated at this time.

Council Options:

Option 1: Continue On-Site Upgrades

1. Direct Staff to proceed with the CPI adjustment on the sewer service charge for FY 2013/14 and Oxidation Ditch Project.
2. Pre-Design of the oxidation ditch will begin in Summer 2013.

Option 2: Purchase capacity in Regional Common Pipeline & Continue Oxidation Ditch Project:

Direct Staff to prepare agreements with Placer County for the purchase of capacity in the regional pipeline and begin the pre-design of the Oxidation Ditch.

Next Steps:

- 1) Draft an agreement with Placer County regarding the Regional Common Pipeline
- 2) Pre-design of the oxidation ditch will continue.
- 3) Staff will begin Proposition 218 hearing process including completing a rate study and holding a public hearing. The sewer rates will not change for FY 13/14; all changes needed to fund both projects will be incorporated into the rate study and adjusted for FY 14/15.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation
2. Do not proceed with staff recommendation

Fiscal Impact

The scheduled rate increase will add approximately \$58,000 to \$121,000 in additional revenues to the Sewer Fund annually to fund operations and capital projects. The Regional Sewer Project Common Section of Pipeline Project is estimated to cost \$2.8 million. The Oxidation Ditch is estimated at \$4.8 million.

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